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RUEHAK/AMEMBASSY ANKARA 2058  
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SIPDIS

DEPT FOR SCA/CEN (O'MARA)  
DEPT PASS TO OPIC - BALLINGER  
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER  
DEPT PASS TO AID - EE-PHILLIPS/RUSHING  
TREASURY FOR OASIA/VELTRI  
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS  
USDOC FOR 6110/ITA/TD/BI/RHALPERN  
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KZ](#)  
SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, MAY 27-JUNE 9, 2007

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¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

-- Latest Developments from Nurbank  
-- Aliev's Case Has No Impact on Investment Climate  
-- Steps towards Private-Public Partnership  
-- New Appointments  
-- Nazarbayev Favors China-Kazakhstan-Russia-Europe Corridor  
-- Kazakhstan, Russia Finalize Orenburg Deal  
-- Russia's Oil May Go to China through Kazakhstan in 2007  
-- KMG Plans on Joint Ventures with European Countries  
-- Oil & Gas Production in January-April 2007

Latest Developments from Nurbank

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¶2. The Board of Directors of Nurbank will be led by the ex head of the Austrian National Bank, Adolf Wala, Nurbank shareholders announced on May 25. According to the bank's press statement, the new chairman will concentrate on implementation of a five-year strategic development plan. In addition to Wala, four independent financial consultants from Western Europe were engaged by the bank. Respublika newspaper interpreted this decision as an attempt to protect Nurbank from possible pressure from Kazakhstani authorities or preparation of the bank for sale in the wake of criminal charges against majority stockholder Rakhat Aliyev. (Interfax - Kazakhstan, May 28, Respublika newspaper, June 1)

¶3. TV Channel 31 reported that during four months of the Nurbank conflict from February to May 2007, the bank lost 10% of its clientele. (Television Channel 31, June 1)

Aliev's Case Has No Impact on Investment Climate

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¶4. The case of former Kazakhstani Ambassador to Austria and

presidential son-in-law Rakhat Aliyev will not affect Kazakhstan's investment climate, according to Timur Nurashev, Chair of the Ministry of Industry and Trade's Investment Committee. In Nurashev's words, "Kazakhstan is a politically stable state and guarantees given to investors are protected by the law. Any speculations that Aliyev's case may deteriorate the investment climate in the country are, to put it mildly, incorrect." Nurashev pointed out that over the period from 1993 till 2006 Kazakhstan received about \$50 billion of foreign direct investment, including \$10.4 billion in the last year. (Interfax - Kazakhstan, June 1)

#### Steps toward Private-Public Partnership

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¶ 15. National Business Associations and top executives of banks and corporate giants such as Kazkommertsbank, TuranAlemBank, Kazakhmys (Copper Company), Kazakhstan Oil Investment Company, and the Eurasian Industrial Association, finalized a memorandum with the Government of Kazakhstan (GoK) to join efforts in modernizing the economy. According to the document, the GoK will prioritize innovative projects, share risks with private sector, and create a favorable legal environment. The business community, in turn, will support the government initiatives, apply modern management systems, use advanced technologies, and assist in implementing social projects. (Interfax - Kazakhstan, May 31)

#### New Appointments

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¶ 16. Zhaksybek Kulekeev was named President of the national railway company Kazakhstan Temir Zholy (KTZ), replacing Erlan Atamkulov. Kulekeev previously held the position of First Vice-President of KazMunayGas. KazMunayGas and KTZ are both owned by state holding company "Samruk." (Interfax - Kazakhstan, May 28).

¶ 17. Kozy-Korpesh Karbuzov was appointed Chairman of the Custom Control Committee of the Finance Ministry. Previously, 48 year-old

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Karbuzov held the position of the Deputy Chairman of the National Security Committee. (Interfax - Kazakhstan, June 6)

#### Nazarbayev Favors PRC-Kazakhstan-Russia-Europe Corridor

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¶ 18. During an economic forum in St. Petersburg in early June, President Nazarbayev indicated that it was necessary to continue work on establishing a Western China-Kazakhstan-Russia-Western Europe transport corridor. Nazarbayev remarked that alternative transport routes are needed, and that choices should be based on economic, and not political, criteria. (Information Agency Trend, June 10)

#### Kazakhstan, Russia Finalize Orenburg Deal

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¶ 19. On June 1, Gazprom CEO Aleksey Miller and KazMunayGas President Uzakbai Karabalin signed an agreement on the creation of a joint venture (JV) based on the Orenburg Gas Processing Plant. Karachaganak Petroleum Operating and KazRosGaz (Gazprom - 50%, KMG - 50%) also signed a 15-year sales agreement for up to 16 billion cubic meters of Karachaganak gas per year. The agreement also establishes the price formula according to which KazRosGaz will buy the Karachaganak gas. The Orenburg JV is to be approved by the Kazakhstani Parliament by the end of the year, the Committee for International Affairs, Defense and Security of the Mazhilis (the lower house of Parliament) reported. (Interfax - Kazakhstan, June 4)

#### Russia's Oil May Go to China through Kazakhstan in 2007

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¶ 10. Russian oil may start to flow through the Atasu-Alashankou pipeline in Kazakhstan this year, Russian Industry and Energy Minister Khristenko announced at an energy conference in Paris on June 1. "We have an idea on the Russian companies that would like

to supply this oil. I think that technical issues have prevented this so far," the Minister said. Atasu-Alashankou is the second leg of a planned pipeline running from the Caspian to China. (Interfax - Kazakhstan, June 4)

KMG Plans on Joint Ventures with European Countries

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¶11. National oil company KazMunayGas (KMG) is considering proposals from a number of European oil companies to set up joint ventures based on European refineries, which Kazakhstani companies will supply with crude, Kazakhstani Energy Vice-Minister Kiinov said at a press briefing on May 31. According to Mr. Kiinov, Spain and Ukraine have made proposals. KMG is also looking for assets in Russia, Uzbekistan, China, Latin America and Arab countries, KMG reports. (Russian Oil, June 1)

Oil & Gas Production in January-April 2007

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¶12. According to the National Statistics Agency, production of oil and gas condensate in Kazakhstan amounted to 22.3 million tons in January-April 2007, up 9% from the same period of 2006. In January-April, gas production totaled 9.8 billion cubic meters, up 16.6% versus 2006. (Interfax - Kazakhstan, May 21)

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